



BILLING CODE (3410-XV-P)

DEPARTMENT OF AGRICULTURE

Rural Housing Service

Notice of Intent to Accept Applications to be an Intermediary Under the Loan Application Packaging Pilot Program Within the Section 502 Direct Single Family Housing Program.

AGENCY: Rural Housing Service, USDA.

ACTION: Notice.

SUMMARY: In Fiscal Year (FY) 2010, the Agency undertook a pilot program to evaluate how the loan application packaging process could be improved for the Section 502 Direct Single Family Housing program, which is authorized in Title V, Section 1480 (k) of the Housing Act. This pilot program introduced the use of intermediaries in the packaging process. Intermediaries reach out to other nonprofits to serve as loan application packagers, ensure those packagers are qualified and trained, perform quality assurance reviews to prevent the submission of incomplete or ineligible loan application

packages to the Agency, and serve as a liaison between the Agency and the packager.

Through this notice, the Agency will accept applications to be an intermediary under the pilot program. Approval will be subject to fully meeting the conditions outlined within this notice, sanctioning by the Single Family Housing Direct Loan Division following an application review (which will include input from the applicable Rural Development State Office), and signoff by the Rural Housing Service Administrator.

DATES: Eligible parties interested in serving as a new intermediary under this pilot must submit the requested items to the Single Family Housing Direct Loan Division by [INSERT DATE 30 DAYS FROM THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Submissions may be sent electronically to SFHDIRECTPROGRAM@wdc.usda.gov or by mail to Brooke Baumann, Branch Chief, Single Family Housing Direct Loan Division, USDA Rural Development, 1400 Independence Avenue, S.W., Room 2211, Washington, DC 20250-0783.

FOR FURTHER INFORMATION CONTACT: Brooke Baumann, Branch Chief, Single Family Housing Direct Loan Division, USDA Rural Development, Stop 0783, 1400 Independence Avenue, S.W., Washington, DC 20250-0783, Telephone: 202-690-4250. E-mail: brooke.baumann@wdc.usda.gov.

SUPPLEMENTARY INFORMATION: As noted in the summary, intermediaries reach out to other nonprofits to serve as loan application packagers, ensure those packagers are qualified and trained, perform quality assurance reviews to prevent the submission of incomplete or ineligible loan application packages to the Agency, and serve as a liaison between the Agency and the packager.

Each pilot intermediary signs a Memorandum of Understanding (MOU) with the Agency, which details the roles and responsibilities of all parties.

- Under the pilot program, the intermediary and/or nonprofit packager may charge the borrower a loan application packaging fee not to exceed \$1,500 to be paid at closing; the Agency does not dictate how or whether the intermediary and packager split the fee. Pursuant to Agency regulations at 7 CFR 3550.52(d)(6), program funds may be used to pay the packaging fee, provided that this does not cause the loan to exceed the maximum allowable loan amount and the borrower has repayment ability for the fee. The maximum allowable loan amount is normally limited to 100 percent of market value (7 CFR 3550.63(b)) as determined by an appraisal.

- Under the pilot program, if the maximum packaging fee cannot be included in the Section 502 Direct Loan, the intermediary and/or packager shall seek a seller concession to cover the fee; assist the applicant in seeking funds from outside sources to cover the fee; provided that those sources take the form of a soft, silent or

forgivable subordinate affordable housing product; and/or reduce the fee to an amount that can be included in the Section 502 Direct Loan or paid using a seller concession or outside sources of funds. In no event will the borrower or the Agency be responsible for paying the packaging fee to the extent that the maximum fee cannot be paid at closing using one of these options. It is understood by all parties that a packaging fee may be charged only for closed loans.

On December 16, 2014, President Barack Obama signed into law the Consolidated and Further Continuing Appropriations Act, 2015 (Act), Public Law 113-235, which provides fiscal year (FY) 2015 full-year appropriations through September 30, 2015, for all agencies except the Department of Homeland Security. Sec. 729 of the Act provides that the Agency will continue agreements with the current intermediaries in the pilot program¹ and enter into additional agreements that increase the number of pilot intermediaries to at least 10.

Sec. 729 applies only to the pilot program in FY 2015; it does not concern any rulemaking process. This notice solicits applications for intermediaries in the pilot program only, and does not guarantee an intermediary's role or status when their pilot program MOU expires² or when the final rule for the certified loan application packaging

¹ The existing five intermediaries in the pilot program are Federation of Appalachian Housing Enterprises, NeighborWorks Dakota Home Resources, Northeast South Dakota Community Action Program, Rural Community Assistance Corporation, and Texas Community Capital.

² The current MOUs expire upon December 31, 2015, or the effective date of the final rule for the certified loan application packaging process, whichever is earlier. The current pilot intermediaries are not guaranteed an intermediary role beyond their participation in the pilot program.

process proposed in the Federal Register on August 23, 2013 (78 FR 52460) becomes effective, whichever is earlier. Through this notice, five new intermediaries are sought.

To qualify and apply to be a new intermediary under the pilot, an interested party must submit documentation demonstrating that it meets all of the following conditions:

- Be a nonprofit organization or other public agency.
- Be tax exempt under the Internal Revenue Code and be engaged in affordable housing in accordance with their regulations, articles of incorporation, or bylaws.
- Have at least five years of verifiable experience with the Agency's direct single family housing loan programs.
- Develop quality control procedures designed to prevent submission of incomplete or ineligible application packages to the Agency. This condition will require a detailed outline of the interested party's intended procedures.
- Have the capacity to serve as an intermediary in one or more of the following states not currently served under the existing pilot program: Alaska, Arkansas, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Vermont, Virgin Islands, Washington, and Wisconsin. (Applications that propose covering any of the following states will be automatically removed from consideration since the existing intermediaries are tasked with serving all or part of these states: Alabama, Arizona, California, Colorado, Hawaii,

Indiana, Kentucky, Michigan, Montana, Nevada, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wyoming.)

This condition will require a detailed outline of the interested party's action plan and experience. The outline should include, but is not limited to: What state or states the party wishes to cover, how they are well-equipped to handle the proposed coverage area, how they intend on creating affiliations with eligible nonprofit packagers, confirmation that they will not serve dual roles (i.e., the intermediary and the packager's employer must have different tax identification numbers and cannot have the same board of directors) unless they intend on operating under the program's general provisions for some packages which means the packaging fee cannot exceed \$750, their ability to target very-low income persons in rural areas interested in homeownership, and their ability to target underserved areas.

- Ensure that their quality assurance staff completes an Agency-approved loan application packaging course and successfully pass the corresponding test.
- Not be the developer, builder, seller of, or have any other such financial interest in, the property for which the application package is submitted.
- Acknowledge qualifying as an intermediary for the pilot does not imply any guaranteed qualification under the certified loan application packaging process final rule once effective.

The above conditions generally mimic those outlined in the proposed rule to create a certified loan application packaging process.

If selected as a new intermediary, a MOU between the intermediary and the Agency must be signed. The MOU will detail the roles and responsibilities of all parties; and will be in effect through September 30, 2015, or up until the effective date of the final rule on the certified loan application packaging process, whichever should occur first. This notice should not be construed as containing all those roles and responsibilities.

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speech disabilities and who wish to file a program complaint should please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish). USDA is an equal opportunity provider and employer. The full “Non-Discrimination Statement” is found at:

http://www.usda.gov.wps/portal/usda/usdahome?navtype=Non_Discrimination.

Dated: April 1, 2015.

Tony Hernandez,
Administrator,
Rural Housing Service.

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